



•Mulcahy Accounting & Risk Consulting•

William J. Mulcahy, CIA

November 9, 2017

Dear Advisory Audit Committee Members of the City of Brookhaven,

This report of the City Internal Auditor updates you on my activities since my last report. This report is divided into sections as follows:

1. Internal Audit – Purchasing Cards
2. Internal Audit - Payroll
3. Internal Audit Plan for 2017 by quarter.
4. Consideration for future internal audits - Risks mentioned in connection with Risk Assessment

## **1. Internal Audits**

### **Purchasing Card Process and Procedures Report –**

As part of the Internal Audit Plan, I performed the procedures listed below in the scope section on the City of Brookhaven's Purchasing Card program

#### **Scope –**

- a. Reviewed for reasonableness the City of Brookhaven, Purchasing Card Policies noting the policies provide for segregation of duties between purchase and approval.
- b. Reviewed on a test basis and found reasonable the form that card holders are responsible to review and sign that they know, understand and will comply with the policies.
- c. Reviewed the list of card holders, noting recognizable names and positions, and at the same time noting a proper segregation of duties between Program Administration, Accountant, and Purchaser responsibilities.
- d. Selected transactions for detailed review.

**Audit Summary** - In connection with the scope of my work described above, of the City of Brookhaven's purchasing card program, I identified no city expenditures or other financial matters that I as the internal auditor determined to be not in compliance with

- a. the provisions of the charter
- b. the applicable city budget, and
- c. applicable ordinances, resolutions, or other actions duly adopted under the provisions of the charter.

The controls and procedures supporting the Purchasing Card Process and procedures were deemed adequate. In addition the policies which provide internal controls for the segregation of duties were being followed in all cases selected in the detailed test, except as noted below,

Except that and similar to the prior audit, there were delays in documenting the expenditures but note, the documentation was caught up to date by the end of the internal audit. For example, the procedures call for p-card receipts to be approved by the fifth business day after the period end, but in the month I reviewed, August 2018, on the fifth business day, nine of the 21 p-card used that month had receipts still outstanding. All receipts were properly accounted for when I rechecked three weeks after due date. I recommended a way to easily tell the receipts that are missing and a reporting system to escalate to the City Manager and the Assistant City Manager/CFO immediately each month for corrective action. The City agrees with the recommendation.

**2. Payroll processing policy, practices and reporting**, I performed the procedures listed below in the scope section below,

**Scope –**

a. Requested, received, and reviewed City of Brookhaven Payroll policy and procedures, noting reasonableness and proper segregation of duties between detail record keeping, such as preparation of time card, accumulation of employee time, input of salary, deductions, etc. and review. Detail testing was performed on the pay period ended 8/16/17 and the related checks / directs deposits dated 8/25/17. I also reviewed the plan for enhanced SOPs for Paid Time Off (PTO) at termination, the Police Housing Program, Reimbursements via Payroll which starts 1/1/2018 and creating a Payroll Schedule of events (what to do on which date leading up to pay day). I agree documenting these processes will enhance the process and the internal controls.

b. Payroll processing is outsourced to Paycom, with City of Brookhaven preparing the input, and reviewing the output.

c. Reviewed the w-2 forms prepared for 2016 for reasonableness.

**Audit Summary** - In connection with the scope of my work described above, I identified no city expenditures or other financial matters that I as the internal auditor determined to be not in compliance with

- a. the provisions of the charter
- b. the applicable city budget, and
- c. applicable ordinances, resolutions, or other actions duly adopted under the provisions of the charter.

The controls and procedures supporting the Payroll processing policy, practices and reporting were deemed adequate. In addition the policies which provide internal controls for the segregation of duties were being followed in all cases selected in the detailed test.

### **3. Internal Audit Plan for 2017 by quarter**

1st Quarter – Report on completed audits, follow up on open recommendations, and develop 2017 Internal Audit Plan. Operational area – Assistant City Manager/CFO; Risk area – Financial.

2<sup>nd</sup> / 3<sup>rd</sup> Quarter – Follow up on November 2, 2016 Payroll Audit. Operational area – Human Resources and Payroll; Risk area Human Resources and Financial.

3<sup>rd</sup> Quarter – P-cards including related accounts payable and related travel. Operational area – Assistant City Manager/CFO; Risk area – Financial.

4<sup>th</sup> Quarter – a. Municipal Court implementation related to probation services provider and reconciliations. Operational area Municipal Court / City Manager; Risk area - Regulatory and Technology. b. Federal, state and local grants & contract compliance & documentation. Operational area – Compliance; Risk area – Regulatory.

### **4. Consideration for future internal audits - Risks mentioned in connection with Risk Assessment –**

- Organizational management, including 1099 independent contractors vs. employees, and answering the following questions, is Brookhaven a workplace of choice? Has turnover resulted in a brain drain? What is the Brookhaven culture? Operational area – City Manager; Risk area – Strategic.
- Purchasing policy and procedures. Operational area – Finance Director; Risk area – Financial.
- Accounts payable policy and procedures. Operational area – Finance; Risk area – Financial.
- Tyler system implementation. Operational area – Assistant City Manager/CFO; Risk area - Technology
- Permit fees revenue and expense. Operational area – Finance Director; Risk area – Financial
- Homestead Optional Sales Tax (HOST) funds. Operational area – Assistant City Manager/CFO; Risk area – Regulatory

- Alcohol to food sales ratio as well as alcohol license revenue and process. Operational area – Finance Director; Risk area - Regulatory
- Training sessions and forms for hotel motel tax collections. Operational area – Finance Director; Risk area - Regulatory
- Parks and recreation. Operational area – Finance Director; Risk area - Operational
- Process for selection of streets to pave and administration of the paving contract including quality control procedures. Operational area – Assistant City Manager/CFO; Risk area – Strategic.
- Brookhaven Finance Corporation. Operational area – Assistant City Manager/CFO; Risk area – Financial

Any questions, let me know.

Sincerely,

***William J. Mulcahy***

William J. Mulcahy, CIA  
City Auditor  
City of Brookhaven

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